

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2347-01
Bill No.: HB 967
Subject: Economic Development Dept.; Housing; Licenses - Professional; Banks and Financial Institutions
Type: Original
Date: March 11, 2009

Bill Summary: Regulates real estate appraisal management companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$44,739	(\$121,898)	(\$129,848)
Total Estimated Net Effect on General Revenue Fund	\$44,739	(\$121,898)	(\$129,848)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	4	4	4
Total Estimated Net Effect on FTE	4	4	4

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume the proposal will not fiscally impact their organization.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS realizes this is a small amount and does not expect that additional funding would be required to meet these costs. The SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of that the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state if the legislature passes this proposal, the Division of Finance would begin registering and examining Real Estate Appraisal Management Companies. The Division would review the application, background investigation report and moral character of the applicant and decide whether or not to issue a certificate of registration.

It is estimated there are 240 Appraisal Management Companies nationwide and the DIFP is estimating that approximately one-half of these companies will register with the Missouri Division of Finance. The DIFP estimates \$600,000 in initial registration fees for FY 10 (120 companies X \$5,000 initial registration fee as set by statute) and \$240,000 in renewal fees for FY 11 and FY 12 (120 companies X \$2,000 renewal fee as set by statute).

The Division is estimating it will need four (4) additional FTE to accomplish the new registering and examination requirements, which include one (1) Supervisor (\$65,197 annually) to manage the section, review and process applications and receive complaints; two (2) examiners (1 Examiner/Investigator at \$62,638 annually and 1 Senior Assistant Examiner/Investigator at \$44,371 annually) to conduct routine examinations and assist with complaints; and, one (1) Senior Office Support Assistant (\$27,564 annually) to process registrations and related

ASSUMPTION (continued)

correspondence. It is assumed all fees would be deposited into a new Real Estate Appraisal Management Fund, although the proposal does not specify where the fees will be deposited and the Division of Finance Fund would be reimbursed through a transfer appropriation similar to Savings and Loan and Residential Mortgage Companies.

The Division of Finance will require additional square footage for the 4 FTE in Jefferson City. The DIFP estimates approximately 600 square feet will be needed at \$7.52 per square foot for a total rent cost of \$4,512 annually. In addition, the DIFP database will have to be setup for tracking registered companies. The DIFP estimates one-time costs of \$200,000.

Oversight notes the proposal is silent regarding where fees for the certification of real estate appraisal management companies is to be deposited. Therefore, **Oversight** assumes all fees and expenses will be deposited into and charged against the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2010	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Income - DIFP</u>			
Initial certification/renewal fees	\$600,000	\$240,000	\$240,000
<u>Expenses - DIFP</u>			
Personal service costs (4.0 FTE)	(\$199,770)	(\$209,883)	(\$215,130)
Fringe benefits	(\$94,251)	(\$99,023)	(\$101,498)
Equipment and expense	<u>(\$261,240)</u>	<u>(\$52,992)</u>	<u>(\$53,550)</u>
Total <u>Cost</u> - DIFP	<u>(\$555,261)</u>	<u>(\$361,898)</u>	<u>(\$370,178)</u>
FTE Change - DIFP	4.0 FTE	4.0 FTE	4.0 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
	<u>\$44,739</u>	<u>(\$121,898)</u>	<u>(\$129,848)</u>
Estimated Net FTE Change on General Revenue Fund	4.0 FTE	4.0 FTE	4.0 FTE

FISCAL IMPACT - Local Government

FY 2010

FY 2011

FY 2012

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

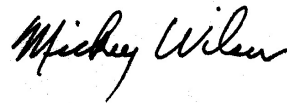
This proposal establishes laws regarding real estate appraisal management companies. In its main provisions, the proposal: (1) Makes it unlawful, beginning January 1, 2010, for any person to act as a real estate appraisal management company, to directly or indirectly engage or assume to engage in the business of real estate appraisal management or to advertise or hold himself or herself out as engaging in or conducting the business of real estate appraisal management without being registered with the Division of Finance within the Department of Insurance, Financial Institutions and Professional Registration; (2) Allows the division to adopt rules necessary to implement, administer, and enforce the provisions of the proposal; (3) Requires appraisal management companies to make written application to the division for the registration of the company accompanied by the \$5,000 required fee. Once the division has received all the required information and fees, a certificate of registration authorizing the company to act as an appraiser management company will be issued unless the division finds reason to deny. Any applicant denied will be given the opportunity for a hearing before the division; (4) Allows the division to take disciplinary action for violations of the provisions of Sections 339.1000 - 339.1045, RSMo, as specified; (5) Requires registrants who believe a real estate appraiser has violated any applicable law or the Uniform Standards of Professional Appraisal Practice (USPAP) to file a complaint with the division against the appraiser; (6) Requires fees charged by a real estate appraiser to comply with USPAP standards and not to contain hidden charges. (7) Specifies that registrations will expire June 30 of every year and become invalid unless renewed by filing an application and paying a \$2,000 renewal fee. Additional fees will be charged if the application is late, except that any registrant failing to reinstate within six months will be required to file a new application for registration. Reinstatement is not retroactive; (8) Requires the division to keep records relating to all applicants for registration whether granted or refused. The division will also keep a current roster of all appraisal management companies registered and will file the roster with the Secretary of State on or before November 1 of each year; and (9) Requires a surety bond of \$1 million to accompany each registration.

The proposal contains an emergency clause.

This legislation is not federally mandated and would not duplicate any other program.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 11, 2009